

SENATE BILL REPORT

SB 5352

As of February 8, 2021

Title: An act relating to allowing new government employees the option of opting out of retirement system membership if the employee is age sixty or older when first hired, or when the employee's employer opts into retirement plan participation.

Brief Description: Allowing new government employees the option of opting out of retirement system membership if the employee is age sixty or older when first hired, or when the employee's employer opts into retirement plan participation.

Sponsors: Senators Braun, Dozier, King and Wilson, J..

Brief History:

Committee Activity: Ways & Means: 2/08/21.

Brief Summary of Bill

- Allows public employees that first become eligible for coverage in certain public pension systems at age 60 or older, to opt out of retirement coverage.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Amanda Cecil (786-7460)

Background: Public employees that meet the requirements for membership in one of the public pension systems are generally required to join and make contribution payments until they leave service. Political subdivisions, such as cities and counties, may opt in to covering employees in the state administered Public Employees' Retirement System (PERS). If a political subdivision opts in, the decision is permanent and eligible employees are mandated into the plan.

Both employee members and employers make contribution payments based on the cost of

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the retirement benefits.

Each pension system and plan has different requirements to be eligible for a retirement benefit, but no system has vesting requirements of less than five years. Retirement age also varies by system and plan, but all systems allow for a full retirement benefit by age 65. Members that leave service prior to vesting are reimbursed the employee contributions plus interest, which is currently 5.5 percent.

The Select Committee on Pension Policy considered allowing certain employees to opt out of retirement system coverage in 2016 and recommended this bill to the 2017 Legislature.

Summary of Bill: Employees that first become eligible for membership in PERS, the Teachers' Retirement System, or the School Employees' Retirement System at age 60 or older may opt out of membership. To be eligible to opt out of coverage the employee may not have prior service credit in any state administered retirement systems. This opt-out provision applies to two types of employees:

- new employees beginning public service at age 60 or older; and
- existing employees of a political subdivision that is opting in to PERS when the employee is age 60 or older.

An employee opting out of membership in a retirement system does not make member contributions and does not accrue benefits. The decision of an employee to opt out of coverage must be made prior to the first date the employee would be reported to the Department of Retirement Systems and is irrevocable. If no decision is made, the employee is entered into the system.

The employer of any employee opting out of membership would make contributions towards the normal cost and any unfunded actuarial liability based on that employee.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill takes effect on January 1, 2022.

Staff Summary of Public Testimony: PRO: This is a simple bill that address a limited number of people that enter the system later in their career when there is no benefit to joining the system. In 2016, the Port of Chehalis opted in to PERS and an employee that already had a retirement from earlier in his career was required to join and contribute to the plan even though he would not get any benefit from it.

Persons Testifying: PRO: Senator John Braun, Prime Sponsor; Richard Rouse.

Persons Signed In To Testify But Not Testifying: No one.